FIRST-CLASS MAIL PRESORT LETTERS AND CARDS AND STANDARD MAIL PRESORT LETTERS COST MODELS

I. PREFACE

A. Purpose and Content

USPS-FY16-10 documents the First-Class Mail presort letters and cards mail-processing unit cost estimates and worksharing-related savings estimates, and the Standard Mail presort letters mail-processing unit cost estimates.

B. Predecessor Documents

First-Class Mail: PRC-LR-ACR2015/3 - FY 2015 First-Class Mail; Docket No. ACR2015

Standard Mail: PRC-LR-ACR2015/4 - FY 2015 Standard Mail; Docket No. ACR2015

C. Corresponding Non-Public or Public Document

There are no corresponding non-public documents.

D. Methodology And Changes

The First-Class Mail presort letters and cards and Standard Mail presort letters cost models rely on the Docket No. R2006-1 Postal Regulatory Commission (PRC) methodology and also incorporate the modifications described in Docket No. RM2011-5, Proposal Nine. The Proposal Nine modifications included updates to several cost model inputs, and a revised bundle sorting cost methodology that was approved by the Commission in Order No. 741.

The Postal Service proposed the addition of new mail processing cost pools in Docket No. RM2011-12, Proposal Five and Proposal Six. The Commission subsequently approved those proposals in Order No. 920. The USPS-FY11-26 cost by shape estimates therefore contained seven additional cost pools that needed to be distributed using the Commission's cost pool classification methodology.

Docket No. RM2012-1; Proposal Twelve, Order No. 1153 modified the mail processing cost model applicable to the Standard mail presort letters to disaggregate the mail processing costs of Standard non-automation machinable MAADC and AADC presort letters.

Docket No. RM2012-2, Proposal Seventeen, Order No. 1383 consolidated MODS operation groups associated with the productivity calculations for the DBCS/DIOSS automated letter image reading and sorting operations. This change responded to changes in the definition of certain MODS operations.

Docket No. RM2012-2, Proposal Nineteen, Order No. 1383 modified the mail processing cost model applicable to the First-Class mail presort letters to develop separate cost estimates for the nonautomation machinable MAADC and the AADC categories.

Docket No. RM2014-1, Proposal Eight proposed to consolidate MODS operation groups associated with productivity calculations into Manual Incoming and Outgoing groups. The Commission issued Order No. 2076 (May 8, 2014), ruling on each modification. The Order No. 2076 ruling has been incorporated into the models filed in this ACR.

Methodological Changes:

Prior year's manual letter productivities (USPS-FY15-23, Docket No. ACR2015) had to be used for USPS-FY16-10 models. See preface to USPS-FY16-23 for details.

USPS-FY16-10 models use the same methodology as the Commission's workpapers in Docket No. ACR2015 (March 28, 2016).

E. Inputs/Outputs

Input Source	Input Description
USPS-FY16-7	Volume variability factors Premium pay factors Wage rates
USPS-FY16-14	Mail Characteristics Data
USPS-FY16-19	Delivery costs by shape, Collection costs
USPS-FY16-23	MODS productivity data
USPS-FY16-24	Piggyback factors
USPS-FY16-25	Operation-specific piggyback factors RCR cost data
USPS-FY16-26	Mail processing unit cost by shape estimates
Docket No. RM2011-5, Order No. 741	Automation density tables Manual density tables Plant carrier route finalization percentage Bundle sorting methodology

Leakage Rate

2016 Carrier Piece Count (CPC) Data	Post office box destination percentage
2016 FAST Data	Incoming secondary percentages
2016 RBCS Data	RCR finalization rate
2016 WebEOR Data	Operation acceptance and reject rates
USPS-FY08-10	OSS Reject Rates
2008 Field Study	Bundle sorting productivity

Output Document	**Output Description**
USPS-FY16-3	Discounts and pass-throughs values
USPS-FY16-19	Delivery Costs by Shape (DPS percentages)
USPS-FY16-21	QBRM and BRM Costs
USPS-FY16-30	Market Dominant NSA Materials

II. ORGANIZATION

USPS-FY16-10 contains two MS Excel workbooks - First-Class Mail and Standard Mail letter cost models for the Annual Compliance Report are based on the latest Commission methodology.

The First-Class Mail workbook contains First-Class Mail presort letters and cards mail processing unit cost estimates, and the First-Class Mail Presort letters and cards worksharing-related savings estimates by price category. These estimates are developed using the Docket No. ACR2015 methodology.

The Standard Mail workbook contains Standard Mail presort letters mail processing unit cost estimates by price category. These estimates are developed using the Docket No. ACR2015 methodology.